



China

## Rebalancing remains a distant prospect for China

6 September 2019

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- Fathom's measure of economic activity in China, the China Momentum Indicator, posted just 4.4% in July, suggesting that growth is a third weaker than official data imply

### Fathom China Momentum Indicator 2.0 and GDP

Four-quarter percentage changes

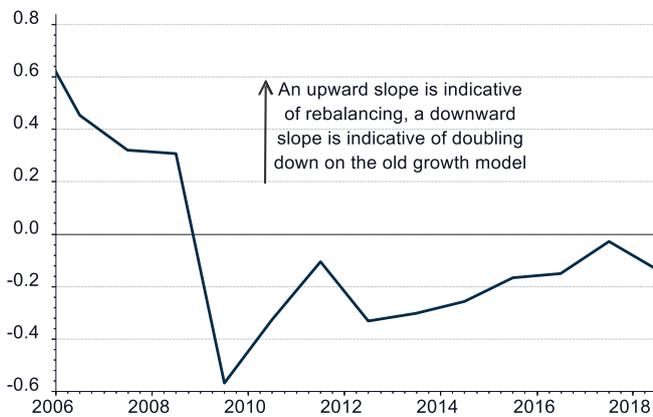


- This is not a consequence of rebalancing, as Fathom's China Growth Strategy (CGS) indicator - a measure of old- versus new-model growth - reveals that China abandoned its half-hearted effort to reform the economy last year



## Fathom China Growth Strategy indicator

Standard deviations from mean

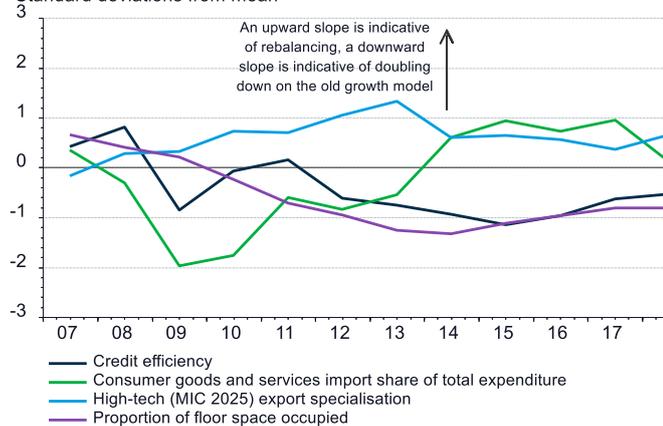


Source: Refinitiv Datastream / Fathom Consulting

- The assumption behind the CGS and its subcomponents is that new-model growth should be driven less by credit and investment, with the consumer picking up the slack as the economy tilts towards more advanced-model growth
- As shown in the chart below, progress on both the credit and investment front waned last year; evidence of a more consumer-driven economy was also absent, with the consumer import share of total expenditure falling sharply

## Fathom China Growth Strategy, subcomponents

Standard deviations from mean



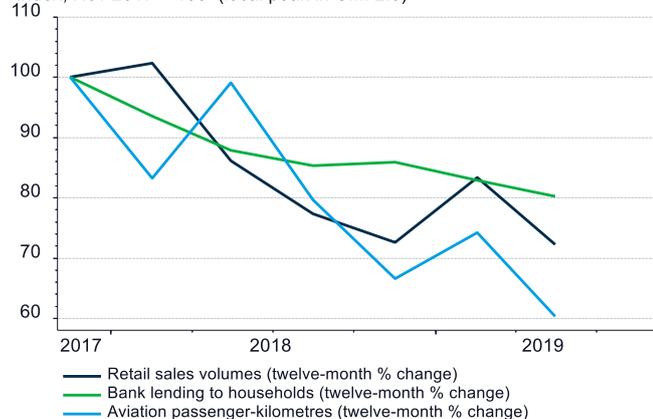
Source: Refinitiv Datastream / Fathom Consulting

- Recent measures of consumer appetite reinforce the message - as long as China continues to prioritise growth over reform, meaningful rebalancing remains a distant prospect



## China consumer appetite

Index, Nov 2017 = 100 (local peak in CMI 2.0)



Source: Refinitiv Datastream / Fathom Consulting

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